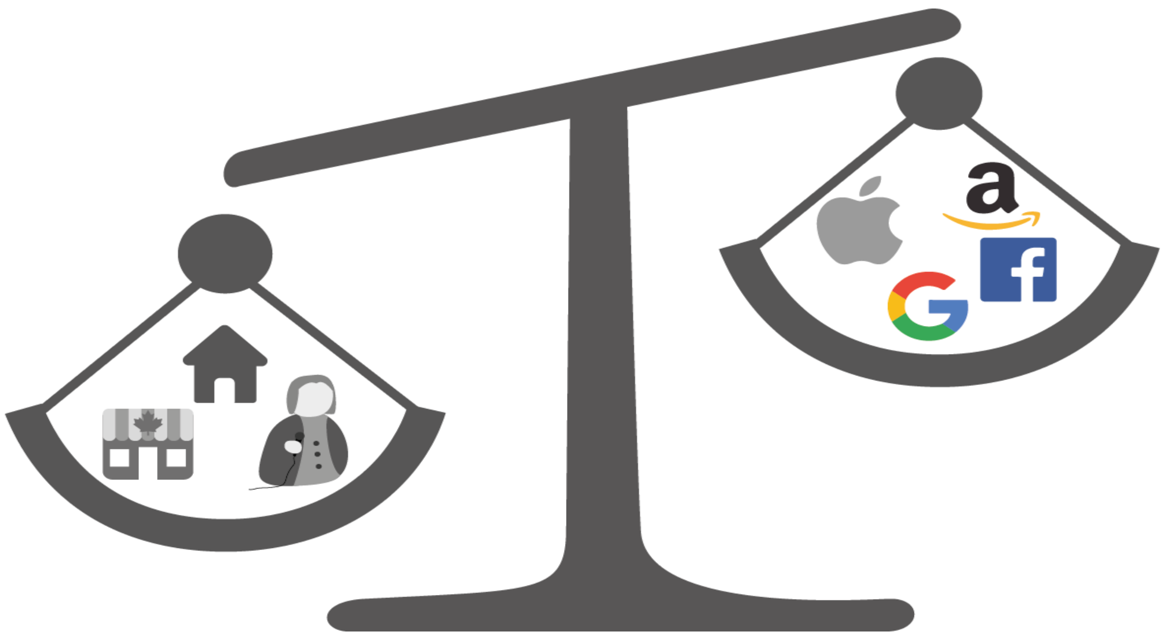
VOTE FOR TAX FAIRNESS

LEVEL THE DIGITAL PLAYING FIELD



The federal government has allowed some of the largest corporations in the world—Google, Amazon, Facebook, Apple and other digital and e-commerce giants—to get away with paying very little or no taxes on their sales and profit from Canada.

These tax preferences are not only unfair to competing Canadian companies and workers, but profoundly damaging to media and cultural sectors. They have contributed to hundreds of media outlet closures and thousands of jobs lost, weakening the fabric of our communities. Especially galling is that these digital giants use news content produced by their Canadian competitors to suck advertising dollars away from them as well. Over 50% of all Canadian advertising dollars are now spent on digital advertising—totalling $8.8 billion annually and growing at double-digit rates—with three-quarters of that going to Facebook and Google.

Those figures continue to escalate. Two-thirds of the federal government's advertising spending is now digital, with the vast majority going to Google and Facebook. Advertising dollars spent on Canadian newspapers and media outlets has plummeted, putting the news industry in crisis.

The Liberal government responded by establishing a fund to subsidize domestic journalism, but didn't address the underlying problems of tax preferences that favour foreign e-commerce giants.

Facebook and Google also benefit from the federal government allowing Canadian businesses to deduct the cost of advertising on foreign internet platforms. This deduction was introduced to help support the Canadian media industry. Advertising expenses in foreign newspapers, periodicals and broadcasters aren't included, but foreign internet platforms are.

The impact is increasingly being felt across all sectors, including transportation, accommodation, and retail as giants such as Amazon have shuttered many Mainstreet businesses. Uber was established as a digital platform so it can avoid tax on all different levels: sales taxes, payroll taxes, and income taxes, despite the fact that its business completely relies on publicly funded roads and other infrastructure.

Most major countries—and some provinces—have already taken action to level the digital playing field, by applying sales taxes to imports of digital services, and taxes to the revenues or profits of the digital giants.

Until now, Canada has refused to act—even though this issue was identified six years ago by the OECD as priority #1 in its BEPS action plan to address international corporate tax dodging. It makes no sense for the federal government to continue to give foreign e-commerce giants tax preferences over Canadian producers selling similar services.

The federal government is even failing to collect the taxes it should be collecting on e-commerce at a cost of hundreds of millions annually, according to the Auditor General.

Organizations across Canada, including labour, business, cultural groups, think tanks, and committees of the House of Commons and Senate, have called on the federal government to take action, but nothing has been done in the past four years.

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The federal government should:

⇒ Collect GST/HST on imports of all digital services, including advertising, as Quebec, Saskatchewan and most other major countries have done. Based on Quebec’s revenues, the Parliamentary Budget Office (PBO) has estimated this would generate approximately $800 million annually for the federal government.

⇒ Apply corporate income taxes to the profits of e-commerce companies associated with their business activities in Canada. The PBO has estimated these revenues at $180 million annually.

⇒ Eliminate the deductibility of advertising expenses on foreign internet platforms for businesses. With at least $6.6 billion spent by Canadian businesses on advertising through Google, Facebook and other foreign internet platforms, this translates to $1 billion in foregone federal corporate tax revenues.

⇒ Require large e-commerce companies to pay additional taxes as a share of their revenues, as other countries are doing. At 3% of revenues, estimated by PBO at $600 million annually.

⇒ Enforce existing tax laws and require foreign vendors to remit taxes on their sales of digital services and goods to Canada.

TOTAL SAVINGS:

$2.5B+

$2.5B+ works out to…

$250

for each household

2,000 nurses

Job retraining for 200,000 workers

Where the parties stand:

The NDP has pressed the federal government for many years to take action , including by applying the GST to imports of digital services, applying a tax to the profits of e-commerce companies, and eliminating the tax deduction for advertising on foreign internet platforms. This election, we are now finally getting commitments from other political parties to address the problem.

The Green Party platform includes a commitment to “Apply a corporate tax on transnational e-commerce companies doing business in Canada by requiring the foreign vendor to register, collect and remit taxes where the product or service is consumed.”

The Liberal Party platform includes a commitment to “make sure that multinational tech giants pay corporate tax on the revenue they generate in Canada” and to “work… to ensure that international digital corporations whose products are consumed in Canada collect and remit the same level of sales taxation as Canadian digital corporations.”

The Bloc Quebecois platform calls for the Canadian government to apply a 3% tax on the revenues internet giants generate in Canada, similar to France’s digital services tax and that the federal government apply the GST to all on-line advertising.

The Conservative Party has yet to make specific commitments to require foreign internet giants to pay their fair share of tax.

Our Platform for Tax Fairness provides a comprehensive set of policy recommendations to make our tax system fairer, reduce inequality and generate revenues for public services. With days to go before the 2019 election, we are counting down the top 5 tax fairness measures —as voted on by our supporters— that federal parties should focus on this election.